

99 Speed Mart Retail (99SMART MK)

3Q25: Beyond Expectations With SSSG Surprise

Highlights

- Results exceeded expectations with a blockbuster SSSG amid other big box retailers reporting contractions.
- Its resilient SSSG and attractive growth justify aligning valuations to Nestlé, and is reinforced by its expansion potential in China and prospects of higher dividends.
- Maintain BUY with a higher target price of RM3.80 (from RM3.05), backed by a three-year profit CAGR of 17.0%.

3Q25 Results

Year to 31 Dec (RMm)	3Q25	qoq % chg	yoy % chg	9M25	yoy % chg	Comments
Revenue	3037.8	12.2	19.1	8357.2	13.0	Yoy growth was driven by enlarged store count of 10.0% and SSSG of +11.9%.
GP	328.3	1.0	49.4	967.8	31.5	
EBITDA	294.4	4.1	34.4	844.0	19.3	
PBT	211.6	4.2	45.7	604.8	22.6	
Profit	160.7	4.9	49.8	457.0	23.4	
Core Profit	160.7	4.9	28.1	457.0	17.7	Above expectations at 81% and 76% of ours and consensus estimates.
Margins (%)	qoq ppt chg	yoy ppt chg	(%)	yoy ppt chg		
Gross Profit	10.8	-1.2	2.2	11.6	1.6	Weighed by product mix following SARA-related sales.
EBITDA	9.7	-0.8	1.1	10.1	0.5	Higher economies of scale cushions dilution.
Eff. tax rate	-24.1	0.4	2.1	-24.4	0.5	
Core Profit	5.3	-0.4	0.4	5.5	0.2	

Source: 99SM, UOB Kay Hian

Analysis

- Above expectations.** 99 Speed Mart Retail (99SM) posted a 3Q25 core profit of RM160.7m (4.9% qoq, 28.1% yoy), which brought 9M25 core profit to RM457.0m (+17.0% yoy). The core profit is above expectations at 81% and 76% of our and consensus full-year earnings forecasts respectively. The positive variance is attributed to better-than-expected SSSG that was aided by the Sumbangan Asas Rahmah (SARA) subsidy spending, extended operating hours and promotional activities.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	9,214.1	9,981.6	11,292.9	12,813.1	14,277.2
EBITDA	804.4	949.6	1,161.4	1,296.6	1,434.4
Operating profit	582.2	703.6	901.1	1,022.1	1,130.5
Net profit (rep./act.)	400.2	490.3	634.1	721.6	798.9
Net profit (adj.)	401.1	498.6	634.1	721.6	798.9
EPS	4.8	5.9	7.5	8.6	9.5
PE	68.1	54.8	43.1	37.8	34.2
P/B	50.4	17.3	14.6	12.5	10.7
EV/EBITDA	231.8	254.8	135.9	131.9	124.1
Dividend yield	1.4	1.1	1.3	1.5	1.6
Net margin	4.4	5.0	5.6	5.6	5.6
Net debt/(cash) to equity	1.5	8.3	9.1	11.0	13.2
Interest cover	12.2	14.8	17.4	18.5	18.9
ROE	64.7	41.1	35.8	33.8	32.1
Consensus net profit	n.a	n.a	605.3	697.6	797.5
UOBKH/Consensus (x)	n.a	n.a	0.95	0.97	1.00

Source: 99SM, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM3.25
Target Price	RM3.80
Upside	16.9%
Previous TP	RM3.05

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Stock Data

GICS Sector	Consumer Staples
Bloomberg ticker	99SMART MK
Shares issued (m)	8,400.0
Market cap (RMm)	26,964.2
Market cap (US\$m)	6,503.8
3-mth avg daily t'over (US\$m)	7.6

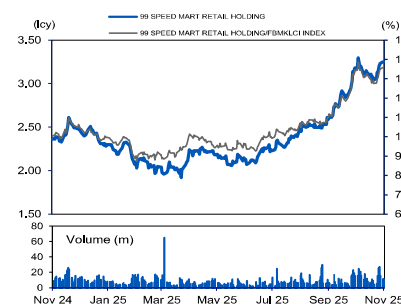
Price Performance (%)

52-week high/low				RM3.39/RM1.92
1mth	3mth	6mth	1yr	YTD
0.9	34.3	47.2	37.8	30.0

Major Shareholders

	%
Lee Thiam Wah & family	83.0
FY25 NAV/Share (RM)	0.20
FY25 Net Debt/Share (RM)	0.10

Price Chart



Source: Bloomberg

Company Description

Homegrown 99 Speedmart is the largest mini-market player and the leading grocery retailer in Malaysia. Apart from groceries, the chain is involved in the retailing of daily necessities.

- **Head and shoulders above the rest.** 3Q25 revenue grew 19.1% yoy and 12.2% qoq. On a yoy basis, growth was by an enlarged store count of 10.0% or 269 new stores to bring its latest store count to 2,966 stores (+72 new stores qoq). 3Q25 SSSG came in at +11.9%, which has been attributed to the SARA cash assistance programme (estimated to have contributed to mid-single digit percentage of overall sales), extended operating hours nationwide, starting from 9am (10am previously) and promotional activities. SSSG bucked the industry trend, with other big box retailers generally seeing a mid-single digit SSSG contraction.
- **Gaining a foothold in China – but testbed for now.** Notable developments during the quarter included the opening of two stores in Fuzhou, China, marking 99SM's maiden overseas expansion. Management stressed that this remains a test-bed initiative, with a cap of up to 12 stores over the next six months. Fuzhou was selected due to its deep supplier ecosystem, comparable economic and income profile to Malaysia, and a market gap in the mini-market segment. The reward-to-risk dynamics are appealing as 99SM is merely dipping its toe in the water, limiting losses while testing the potential of a significantly larger market.
- **Some margin dilution with SARA sales weighing on product mix.** 3Q25 gross margin contracted by 1.2ppt qoq to 10.8%, largely due to SARA-driven high-volume but low-margin baskets, with certain SARA items not being eligible for full incentives. With the SARA scheme still in place, a sharp near-term recovery in margins appears unlikely. Nonetheless, stronger economies of scale helped limit core margin dilution to 0.5ppt qoq, bringing core margins to 9.7%. The margin softness was more than offset by robust sales momentum, driving core PAT growth of 4.9% qoq and 28.1% yoy.

Valuation/Recommendation

- **Maintain BUY with a higher target price of RM3.80** (from RM3.05) off our revised earnings and higher PE peg of 44.3x from 38.9x 2026F PE. We align 99SM's PE peg to Nestle's seven-year historical mean PE. Despite being a retailer, 99SM's significant moat translates to a highly resilient SSSG and coupled with under-saturation of stores, offers exciting growth prospects (three-year CAGR of 17.0%). There is potential upside with its expansion in China and the increase in its dividend payout (we have assumed 55%) given it is highly cash generative and is net cash (-41%)

Earnings Revision/Risk

- Earnings revision: 2025-27 earnings are raised by 12.4%/10.2%/7.3% respectively after factoring in higher SSSG and store expansion assumptions.
- Risks include a sharp hike in minimum wage in the supply chain, foreign labour policy and unfavourable publicity or fails in internal controls.

Share Price Catalyst

- **Direct beneficiary of cash handout.** The government has announced a one-off RM100 cash handout to all adults in conjunction with Independence Day, amounting to RM2b in total. This handout can be spent at over 2,000 99SM stores. On a full-year 2026 basis, SARA cash assistance could raise SSSG by 1-2% as contributions in 2025 have formed a high base coupled with an increasing number of other retailers who have now qualified for the scheme as well.

Assumption Drivers

	2025F	2026F	2027F
Revenue growth (%)	13.1	13.5	11.4
Store count avg	2913	3178	3438
Net addition	270	260	260
Growth yoy (%)	9.8	9.1	8.2
Revenue per store (%)	3.0	4.0	3.0
Core profit (RMm)	634.1	721.6	798.9
Core profit growth (%)	27.2	13.8	10.7
Core profit margin (%)	5.6	5.6	5.6

Source: UOB Kay Hian

Store Penetration Remains Low in Certain Regions

Region	Outlets/ Million Population
Peninsular Malaysia	89.3
Central	109.5
East Coast	25.2
Northern	87.1
Southern	109.3
East Malaysia	40.2

Source: 99SM

Environmental, Social, Governance (ESG)

- **Environmental**
 - **Energy efficiency.** Enhancing energy efficiency in outlets and properties helps achieve significant savings and emissions reductions; for example, installing solar panels at 15 out of its 17 distribution centres.
 - **Waste management.** Since May 23, the company's "Say No to Plastic Bags" campaign in Peninsular Malaysia has been promoting a zero plastic bag policy, with plans to expand it to East Malaysia. Some 21,500 tonnes of packaging waste were recycled in 2023, generating RM42m in proceeds.
- **Social**
 - **Community contribution.** 99SM's presence spans across the country, extending to small towns and rural areas, where employment opportunities may be limited. As such, 99SM aims to prioritise employment of the locals. 99SM employs over 21,000 Malaysians, who make up more than 95% of its workforce.
 - **Diversity and inclusion.** Approximately 49.7% of 99SM's workforce are female and the remaining 50.3% are male.
- **Governance**
 - **Transparency and accountability.** 99SM has put in place practices in accordance with the principles provided in the Malaysian Code on Corporate Governance (MCCG) issued by the Securities Commission.
 - **Board independence.** 99SM meets MCCG's recommendations to have at least 30% female directors and a majority of independent directors.

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	9,982	11,293	12,813	14,277
EBITDA	950	1,161	1,297	1,434
Deprec. & amort.	246	260	275	304
EBIT	704	901	1,022	1,130
Total other non-operating income	0	0	0	0
Associate contributions	0	0	0	0
Net interest income/(expense)	-45	-49	-52	-57
Pre-tax profit	659	852	970	1,074
Tax	-168	-218	-248	-275
Minorities	0	0	0	0
Net profit	490	634	722	799
Net profit (adj.)	499	634	722	799

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	1442	1321	1359	1399
Other LT assets	13	13	13	13
Cash/ST investment	698	772	927	1113
Other current assets	1408	1662	1885	2101
Total assets	3561	3767	4184	4625
ST debt	3	3	3	3
Other current liabilities	1208	1303	1431	1552
LT debt	0	0	0	0
Other LT liabilities	771	596	560	521
Shareholders' equity	1579	1864	2189	2549
Total liabilities & equity	3561	3767	4184	4625

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	486	774	908	1014
Pre-tax profit	667	852	970	1074
Tax	-167	-218	-248	-275
Deprec. & amort.	253	260	275	304
Associates	0	0	0	0
Working capital changes	-260	-110	-77	-74
Other operating cashflows	-7	-10	-12	-14
Investing	-163	-185	-178	-196
Capex (growth)	-171	-195	-190	-210
Proceeds from sale of assets	0	0	0	0
Others	8	10	12	14
Financing	238	-515	-575	-632
Dividend payments	-200	-349	-397	-439
Issue of shares	660	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	-49	0	0	0
Others/interest paid	-174	-166	-178	-193
Net cash inflow (outflow)	561	74	155	186
Beginning cash & cash equivalent	138	698	772	927
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	698	772	927	1113

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	1.0	1.7	1.6	1.5
Pre-tax margin	6.6	7.5	7.6	7.5
Net margin	4.9	5.6	5.6	5.6
ROA	13.4	16.0	18.2	18.1
ROE	29.0	31.3	35.6	33.7
Growth				
Turnover	8.3	13.1	13.5	11.4
EBITDA	18.0	22.3	11.6	10.6
Pre-tax profit	23.7	27.8	13.8	10.7
Net profit	24.3	27.2	13.8	10.7
Net profit (adj.)	24.3	27.2	13.8	10.7
EPS	24.3	27.2	13.8	10.7
Leverage				
Debt to total capital	21.7	18.4	15.7	13.5
Debt to equity	0.2	0.2	0.2	0.1
Net debt/(cash) to equity	-44.0	-41.2	-42.2	-43.5
Interest cover	14.8	17.4	18.5	18.9

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